



Blue Ribbon Commission for Health Care Reform

FOR IMMEDIATE RELEASE

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\$167 Million in Cost Savings Possible with Health Reform ***Administrative savings could help reduce premium costs***

Denver, Colo., Nov. 15, 2007 – The latest analysis performed for the Blue Ribbon Commission for Health Care Reform shows that streamlining administrative procedures could save Colorado nearly \$170 million.

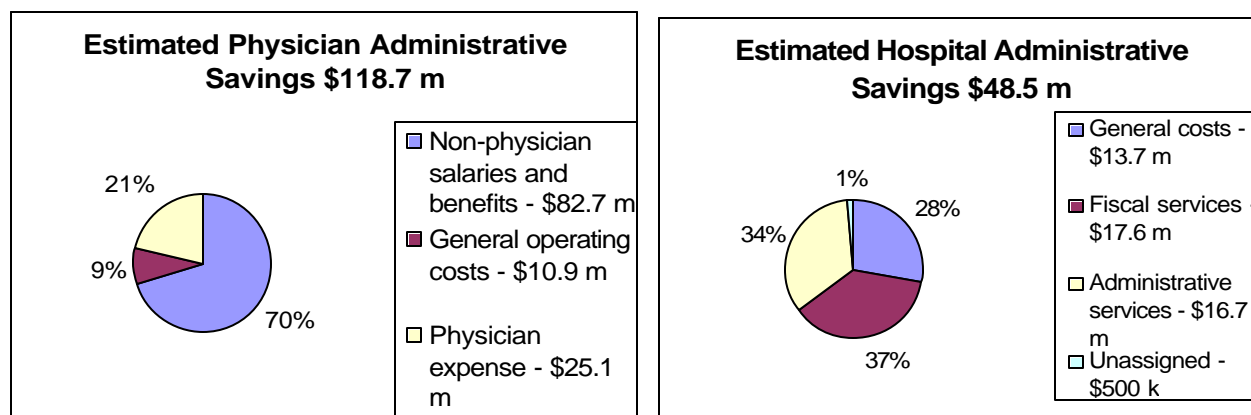
“These savings could directly affect the cost of health insurance premiums for employers and individuals,” noted William N. Lindsay III, chair of the Commission. “These are actionable steps that can be implemented through regulation and statute as part of a down payment on broad, long-term health reform.”

The Commission identified a menu of strategies for simplifying and streamlining administrative processes for health care providers and asked The Lewin Group to model them. Those strategies are:

- Require all health plans to issue ID cards that conform to nationally accepted standards and require all ID cards to use magnetic strips that conform to national standards;
- Streamline provider credentialing processes;
- Simplify eligibility and coverage verification;
- Standardize and streamline claim attachments;
- Standardize prior authorization procedures, including those of Medicaid; and
- Create standardized and simplified appeals process for all carriers, including Medicaid.

While these streamlining strategies are incorporated in the Commission’s fifth proposal, they were modeled separately and their impacts are not reflected in the cost estimates for that proposal.

Estimated savings for physicians are \$118.7 million; for hospitals, \$48.5 million.



“While Colorado health plans already comply with regulations about some standardized forms and processes, the Commission hopes to implement new systems that will substantially reduce the remaining administrative hassles for plans and providers,” Lindsay said.

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Commission Finds Administrative Savings

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In addition to the administrative cost analysis, Lewin has now completed its final cost and coverage analysis of the Commission's fifth proposal. This completes the evaluation of five health reform approaches; the previous four proposals were analyzed earlier.

The analysis shows that the reforms included in the fifth proposal would extend insurance coverage to all but two percent of Coloradans, leaving approximately 97,500 Coloradans without insurance. Of the other four proposals evaluated, only the single payer plan would cover more people.

The fifth proposal would require an estimated \$1.1 billion in new state funding, placing it in the middle of the pack cost-wise compared to the other proposals under consideration.

"We are very encouraged by how well this proposal addresses the Commission's twin charges of extending coverage and reducing costs," Lindsay said. "While it is clear that it will require some upfront investment, the savings in administrative costs are exactly the kind of pocketbook impact we hope to create."

He added, "The 5th proposal is an opportunity to test the impact of what could be described as an 'optimal' reform package. It is not surprising that such a package would have a significant price tag associated with it. The modeling results provide us with good information about the impact of this optimal approach. The Commission will now consider that information as we determine an appropriate package of recommendations for the General Assembly."

Lindsay also cautioned, "This analysis is important, but should be kept in perspective." He noted the following considerations:

- The technical modeling is just one of the Commission's deliverables in a process which will inform the Commission's final report and recommendations to the General Assembly. Public input received through statewide community meetings and stakeholder task forces is also a critical piece, as is analysis from leading health policy experts and commissioners' own expertise.
- While it's crucial to get a general sense of how much each proposal is likely to cost, it is not possible to understand detailed cost impacts upon specific groups (e.g., families, state government, employers) without knowing exactly how each proposal will be financed. Those decisions will be made by the legislature.
- Some important impacts of each proposal – such as potential impacts on quality of care from better integrated health systems – simply aren't modelable. The numbers in this report cannot reflect that kind of richness.

Overviews of the evaluation of all five proposals may be found on the following pages.

About the Commission

Colorado has approximately 792,000 uninsured residents with nearly 180,000 of them children. Public opinion polls show concern about health care as the top issue for Americans. Coloradans, like most Americans, are anxious for solutions to the rising cost of health care and the growing number of people who cannot afford health insurance or who do not have adequate coverage.

The Blue Ribbon Commission for Health Care Reform was created by the Colorado Legislature in 2006. The Commission is charged with making recommendations for comprehensive health care reform with the goal of increasing health care coverage and decreasing costs for Colorado residents, with particular emphasis on the issues of the uninsured, underinsured, and those at risk of financial hardship due to the costs of medical care. The Commission is required to make final recommendations for comprehensive health care reform to the General Assembly by January 31, 2008.

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Commission Finds Administrative Savings
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Key Design Elements Under Policy Alternatives

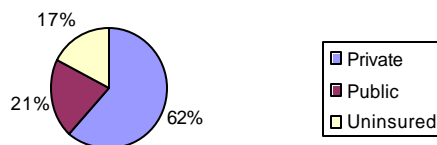
	Medicaid/CHP+ Expansions	Premium Subsidies	Employer Mandate	Individual Mandate	Insurance Market Reform	Insurance Pools
Proposal 1 (Better Health Care for Colorado)	Kids and PG women living below 300% FPL	Sliding scale voucher<300% FPL for adults: full-cost buy-in to "Exchange"	none	none	Modified community rating in exchange	Exchange; subsidy population only
Proposal 2 (Solutions for a Healthy Colorado)	Kids and PG women <250%FPL Parents <100% FPL	Sliding scale tax credit for adults <250% FPL; for ESI or non-group	None	Mandate with penalty of \$500; and no vehicle registration	Modified community rating	Connector; optional to all insured
Proposal 3 (A Plan for Covering Coloradans)	Kids and PG women <300% FPL Parents <300% FPL Other Adults <100% FPL	Sliding scale voucher<400% FPL; for ESI or non-group	\$347 penalty per uninsured worker	Mandate with penalty = lowest cost premium; Auto Enroll Medicaid/CHP+	Community rating guarantee issue, merge insured markets	Purchasing pool; all insured must use
Proposal 4 (Colorado Health Services Plan)	All residents: 3+ months in state	No premiums; 8.1 percentage point increase in income tax a/	ESI eliminated; 6% payroll tax	All Residents 3+ Months;	Only supplemental coverage remains	n/a
Proposal 5 (Commission Proposal)	Kids and PG women <250% FPL; Adults < 205% FPL; Medically Needy Disabled Buy-in	Sliding scale subsidy for below 400% FPL	None	Mandate with penalty; includes legal non-citizens	Modified community rating	Connector for individuals, small groups

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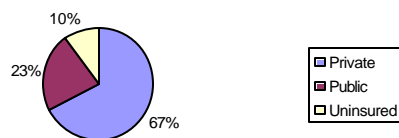
Impact of Proposals on Uninsured

Coverage Under Current Law

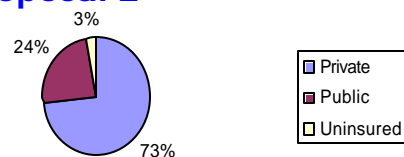
Colorado Residents by Source of Coverage
(Public, Private, Uninsured) 2007-08



Proposal 1



Proposal 2



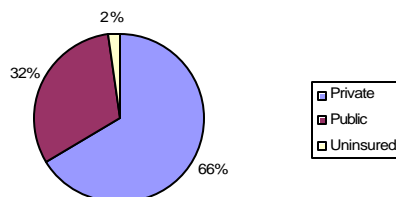
Proposal 3



Proposal 4



Proposal 5



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Impact of Proposals on Costs

Current total annual health care spending in Colorado: \$30.1 b*

Estimated annual spending for each proposal:	Proposal 1: \$30.6 b
	Proposal 2: \$30.3 b
	Proposal 3: \$31.3 b
	Proposal 4: \$28.7 b
	Proposal 5: \$31.1 b

** Total annual spending includes public and private, individual and employer, etc.*

Estimated new state spending required:	Proposal 1: \$389 m
	Proposal 2: \$853 m
	Proposal 3: \$2 b
	Proposal 4: \$15 b
	Proposal 5: \$1.1 b

Differences in cost and coverage impacts are driven by program elements, for example:

- Proposal 1 does not require individuals to have insurance, thus has a smaller impact on reducing the number of uninsured than other proposals, even though it expands public programs and facilitates the purchase of private insurance. It has a limited benefit package, so costs less than the others.
- Proposal 2 requires individuals to have insurance, expands public programs and facilitates the purchase of private insurance, thus has a significant impact on reducing the number of uninsured. It has a limited benefit package and lower subsidy levels, so costs less than some of the others.
- Proposal 3 requires individuals to have insurance and employers to provide it, expands public programs and facilitates the purchase of private insurance, thus has a significant impact on reducing the number of uninsured. It has comprehensive benefits and high subsidy levels, so is more expensive than some of the others.
- Proposal 4 covers everyone automatically. Because it eliminates many administrative layers it brings overall system costs down. However, because it is publicly administered, it represents higher new costs to the state than other proposals.
- Proposal 5 requires individuals to have insurance, expands public programs and facilitates the purchase of private insurance, thus has a significant impact on reducing the number of uninsured. It has comprehensive benefits and high subsidy levels, so is more expensive than some of the others.